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Satellite Times

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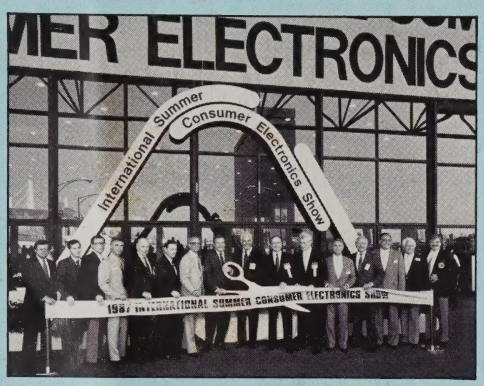


A small contingent of TVRO industry members made its way to the annual Summer Consumer Electronics Show in Chicago recently. See stories, pages 5 and 11. Courtesy EIA

SBCA Board to Convene in Emergency Session

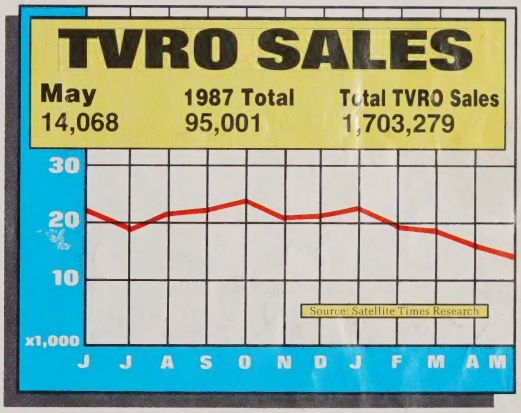
By Bob Scherman

WASHINGTON—The Satellite Broadcast and Communications Association (SBCA) plans to hold what is being described as an "emergency board meeting" in Alexandria, Va, on June 24 to discuss the recent set-backs suffered by Turner Broadcasting System (TBS) Inc.'s TVRO packaging plans, the continued availability and piracy questions associated with the VideoCipher system, and upcoming House and Senate subcommittee hearings on satellite-related legislation.

"This is an emergency," said Chuck Hewitt, SBCA president. "I think coming out of Las Vegas [at the SBCA/STTI Show last March] it looked liked things were coming along very well. But now we're getting concerned about the question of programming and that some of the packages are falling apart."

Included in the questions about programming, said Hewitt, is Home Box Office Inc.'s decision not to provide TVRO owners with access to its new Festival service, as well as the continuing ques-

Continued on page 13



Hearing in Chip-Gate Case Held in Miami

By Bob Scherman

MIAMI—A federal court here heard oral arguments June 5 on General Instrument Corp. (GI), M/A-Com Inc., Showtime, and Home Box Office's request for a preliminary injunction against Shaun Kenny, Karen Howes, and Bob Cooper Jr. in the so-called Chip-Gate piracy case.

The four firms filed suit against the three defendants and Stephen Bepko on March 2, charging they were involved in activities relating to the piracy of satellite programming (See *Satellite Times*, March 16, March 25, April 22, May 20, and June 3, 1987).

None of the defendants was present in court for the hearing.

During the hearing, Bepko's attorney, David Wells, discussed his client's settlement with GI and the other plaintiffs. He said Bepko has agreed to have a final judgement

Continued on page 14

Dates Set For Hearings on TVRO Bill

WASHINGTON—The House Telecommunications Subcommittee plans to hold a hearing on satellite viewing rights legislation on July 1, with the Senate Communications Subcommittee planning to hold a hearing on the same bill on July 31.

No witness list has been set for the House hearing, according to Larry Irving, the subcommittee's senior counsel, mass media. However, the subcommittee does not now plan to invite representatives of the Federal Com-

Continued on page 13

GI to Launch Panorama Programming Promotion

General Instrument Corp. (GI) plans to launch its "Panorama" programming promotion on July 1, offering TVRO owners who buy a GI integrated receiver/decoder (IRD) six programming channels free for a year.

According to GI's Dick Armstrong, the services offered will be Cable News Network, CNN Headline News, WGN, WWOR, KTVT, and WPIX. The four superstations are offered through United Video Inc.'s "Superstar Connection."

Armstrong said the promotion will remain in effect until Dec. 31, with consumers having until that time to buy a IRD and receive a free year of programming. Asked who was paying for the programming, he said, "GI is providing it free" to the consumer.

GI will be providing programming certificates to its distributors, Armstrong said, with the distributor having

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Inside Scan

Value Pack: *Showtime prepares to launch a new promotional program for TVRO dealers—**page 3.***

No Scrambling: *A new bill would prohibit the scrambling of any TV program produced with taxpayer money—**page 3.***

Starlok Dead: *General Instrument says it has no TVRO plans for its homegrown Starlok scrambliong systems—**page 4.***

Better Late Than Never?: *FCC Chairman Patrick finally admits there is a shortage of VideoCiphers—**page 8.***

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Mounties Raid Chip Sites

By Bill Barr

EDMONTON, Alberta—The Royal Canadian Mounted Police (RCMP) have raided seven locations here which have been "advertising and selling decoders that may contravene laws governing copyright, obscenity, and theft of communications."

The June 4 raids focused on sites the RCMP suspects have been manufacturing and/or distribution points for computer chips which circumvent the VideoCipher scrambling system. Sgt. John Metcalf, who coordinated the RCMP's raids, said most of the concerns raided advertised VideoCiphers with chip implants in local newspapers and on TV. In one instance, he said, one of the firms involved even conducted seminars on how to defeat the Vid-

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Quotable

"But now we're getting concerned about the question of programming and that some of the packages are falling apart."—SBCA President Chuck Hewitt.

HERE'S A SMALL PIECE OF HBO'S NEW DESCRAMBLER REBATE PROGRAM.

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See Page 12

Showtime to Launch New Dealer Program

Showtime/The Movie Channel Inc. is planning to launch a new promotional program for TVRO dealers which will allow dealers to offer as much as $130 in programming discounts to dish owners.

The "Value Pack" program, according to Steve Schulte, head of Showtime's TVRO project, will take the place of the service's current program of paying a commission to TVRO dealers for subscriptions and descramblers sold to consumers.

The new program will allow TVRO dealers to offer consumers $45 off on a one-year subscription to Showtime and the Movie Channel, or both services and Showtime's basic TVRO programming package; $90 off for two years of programming; $30 off on a renewal to the pay and basic subscriptions; and two free movies on Viewer's Choice, the pay-per-view service owned by Showtime's parent company. (Viewer's Choice is now available to all TVRO owners, the service recently announced.)

Schulte said the program will be administered through the use of coupons. TVRO dealers, he added, can pass the coupons onto consumers, or can order subscriptions for their customers, thereby giving dealers the option of receiving a commission.

Through the use of the coupons, a TVRO owner can buy both pay services and the basic package for as little as $16.25 a month, said Schulte.

Schulte said advertisements for the new program in consumer publications will only urge consumers to visit local TVRO showrooms, in order to allow TVRO dealers the flexibility of choosing how they wish to use the coupons.

Schulte said the new program "makes us more [TVRO] dealer friendly than HBO's dealer program, which is a little complicated to use." HBO offers TVRO dealers a $50 commission on every annual subscription sold in conjunction with a VideoCipher decoder. ❑

Bill Would Stop Scrambling of Funded Programs

WASHINGTON—Reps. Judd Gregg (R-N.H.), Pat Williams (D-Mont.) and five colleagues have introduced a bill which would prevent the scrambling of any TV programming which has been subsidized by taxpayer money.

H.R. 2546, introduced on May 28, would not prevent scrambling of satellite signals, according to Dave Thibault, a spokesman for Gregg. Rather, he said, it would apply to specific programs. "Any program that's subsidized by the federal government cannot be scrambled" under the bill, Thibault said.

The measure is "aimed largely at PBS programs," he said. "If everything is paid for with taxpayer money on PBS, then nothing on PBS could be scrambled," said Thibault.

Thibault said he did not believe the bill was targeted at the satellite signals transmitted by the Armed Forces Radio and Television Service (AFRTS), noting the Tauzin-Rose TVRO-related measure (H.R. 1885) addresses that issue.

The Gore-Rose bill would also prevent PBS from scrambling, but Thibault said Gregg's bill was necessary because it provides a "much more blanket approach to educational and informational programming." Gregg is also a co-sponsor of H.R. 1885.

Thibault said it was unclear whether the Gregg bill would prevent a television network from scrambling a recruiting commercial sponsored by the armed forces, but added Gregg may add langauge to the bill to exempt programming material less than five minutes in length.

Asked if he thought the introduction of Gregg's bill would hurt the chances for passage of the Tauzin-Rose measure, Thibault said, "No. I don't think so." He said H.R. 1885 is aimed at the "marketing aspects" of providing programing to TVRO owners, while the Gregg bill is aimed solely at "educational and informational programming."

PBS recently announced it would maintain at least one unscrambled feed of its national programming service, but also said the use of the VideoCipher system to deliver stereo audio on some of its feeds could make them unaccessible to dish owners. PBS also said it would likely scramble some internal or other proprietary feeds (See *Satellite Times*, March 25, 1987).

In the last Congress, Gregg introduced a bill that would have imposed a two-year across-the-board scrambling moratorium. ❑

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Court Denies Must-Carry Stay

WASHINGTON—A federal appeals court here has denied a motion filed by several cable operators to delay the implementation of the Federal Communications Commission's new must-carry rules.

The June 8 ruling paved the way for the implementation of the new must-carry rules, which were scheduled to begin on June 10.

In denying the petition for a stay of the new rules, the court ruled in favor of a request filed late last month by the National Cable Television Association (NCTA), the Community Antenna Television Association (CATA), and nine MSOs. The two associations and MSOs said they believed the new rules should go into effect, pending the final outcome of all court challenges to the rules, in order to provide some stability in the marketplace (See *Satellite Times*, June 3, 1987).

In a prepared statement, NCTA President James P. Mooney said the appeals court decision "reflects, as we stated in our opposition of the stay request, that as a short term practical matter, little will change with implementation of the new rules pending reviews of the case on the merits."

The NCTA-CATA-MSO filing against the stay had been widely welcomed by the broadcasting industry—and was viewed by many here as the beginning of a new era of detente between the two industries.

That interpretation appeared to be advanced by the National Association of Broadcasters (NAB), which, in a June 5 letter to its members, withdrew support for the reimposition of the FCC's syndicated exclusivity rules.

Those rules, which the FCC now plans to reinstate, would allow broadcasters to buy exclusive rights to syndicated programming for their market areas (See *Satellite Times*, March 2, 1987).

The cable and TVRO industries strongly oppose reimposition of syndicated exclusivity, since such rules would almost surely mean the demise of satellite superstations. Indeed, the Satellite Broadcasting and Communications Association (SBCA) was preparing to file comments at the FCC in opposition to new syndicated exclusivity.

NAB President Edward Fritts told his members that it was important to maintain the cable industry's support for new must-carry rules, and that supporting cable's stand on syndicated exclusivity would help sustain cable's support.

The motion picture industry and owners of independent television stations strongly support reinstatement of syndicated exclusivity--with both groups loudly criticizing the NAB's move. ❑

GI Says Starlok is a 'Dead Issue'

General Instrument Corp. (GI) executives continue to say they have no TVRO-related plans for Starlok, the encryption system developed by GI before it bought the VideoCipher system from M/A-Com Inc.

Because of recent VideoCipher piracy problems, some in the TVRO industry now believe GI will eventually scrap VideoCipher in favor of Starlok.

Asked about such claims, Larry Dunham, executive vice president of GI's VideoCipher division, said: "That's ridiculous."

"Starlok is dead," he said, adding: "Starlok, as it impacts the DBS [direct broadcast satellite] industry, is not an issue."

Dunham said there are "no compatibility plans" for Starlok and the VideoCipher system. In fact, he said, the Cable Video Store, the pay-per-view service operated by GI's Jerrold division on Satcom F4, switched from Starlok to VideoCipher several months ago.

Dunham said one chip used in the Starlok system maybe used in VideoCipher in the future, though GI's Ron Katznelson added the chip in question was a "generic chip" not unique to Starlok.

Katznelson, GI's director, new technology development, said, "Starlok is not going to be used for anything."

On a related matter, Dunham said the VideoCipher system was completely compatible with Ku-band satellite transmissions.

"The VideoCipher system is totally transparent to C or Ku [band]," said Dunham. As far as the VideoCipher system is concerned, there is "no reason" to prevent Home Box Office Inc. or any programmer from selling Ku-band services to home TVRO owners, he added. ❑

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Hewitt to Uplink Address

WASHINGTON--Chuck Hewitt, president of the Satellite Broadcasting and Communications Association (SBCA), plans to deliver a live "state-of-the-industry" address via satellite on June 29. The address, which will be transmitted over Galaxy 2, transponder 1, will occur days before the House Telecommunications Subcommittee's July 1 hearing on the Tauzin-Rose TVRO bill.

In a statement, SBCA said Hewitt's address will discuss the "future development" of the TVRO industry, the TVRO legislation, "copyright questions, decoder availability, and piracy." Hewitt will be joined on the two hour program by SBCA legal and legislative counsel Mark Ellison, with SBCA saying the two will take telephone calls during the second half of the telecast. The program will begin at 12:30 pm and be rebroadcast at 5 pm. ❑

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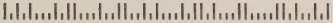

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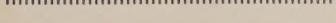

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11	26	41	56	71	86	101	116	131	146	161	176	191	206	221	236	251	266	281	296	311	326	342	357	372
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CES Draws Few TVRO Companies

CHICAGO—The current state of the dish industry was very much evident here during the annual Summer Consumer Electronics Show (CES), with only 14 TVRO-related companies exhibiting and only a handful of dealers and distributors in attendance.

Among the companies that exhibited were Panasonic Industrial Co., R.L. Drake Co., Winegard Co., Universal Antenna Manufacturing Inc. (Unimesh), Kaul-Tronics Inc., Chaparral Communications Inc., and General Instrument Corp. (GI).

The Electronics Industries Association (EIA), the show's sponsor, said 41 TVRO companies exhibited at the summer CES in 1985, with 21 exhibiting at last year's show. At one point, TVRO industry interest in the two yearly CES shows was so high that many were predicting the CES shows would eventually supersede the SPACE/STTI Shows as the preeminent industry gatherings.

The EIA had also established a satellite subdivision, with some in the TVRO industry arguing the EIA should succeed SPACE as the TVRO industry's trade association (See *Satellite Times*, Feb. 19 and June 25, 1986). There was no such talk about EIA's relationship with the TVRO industry at this year's show.

Most of the TVRO companies here reported that traffic at their booths was quite slow, though it appeared traffic at the show in general was light at most times.

The dish farm at the front of McCormick Place also appeared to be devoid of crowds at most times. Only 11 dishes were set up, with about half in operation.

As the show opened, the EIA said it projected that approximately 400,000 TVRO systems would be sold in 1987, with about 500,000 expected to sold in 1988. EIA said 375,000 systems were sold in 1986.

Most, if not all, of the TVRO industry members here said EIA's figures were extremely high. Most said the TVRO industry would do well to sell 300,000 systems this year. (It should also be noted that *Satellite Times* has reported that approximately 250,000 systems were sold in 1986.)

The show's sparsely attended TVRO panel featured a somewhat unusual discussion between Bob Dushane of Janeil Corp. and Don Berg of Channel Master on whether dish sales should be focused on do-it-yourself installations and in areas with cable TV.

Dushane argued in favor of do-it-yourself installations and said sales should be targeted in cabled areas. Berg disagreed completely. GI's Larry Dunham also appeared on the panel. ❑

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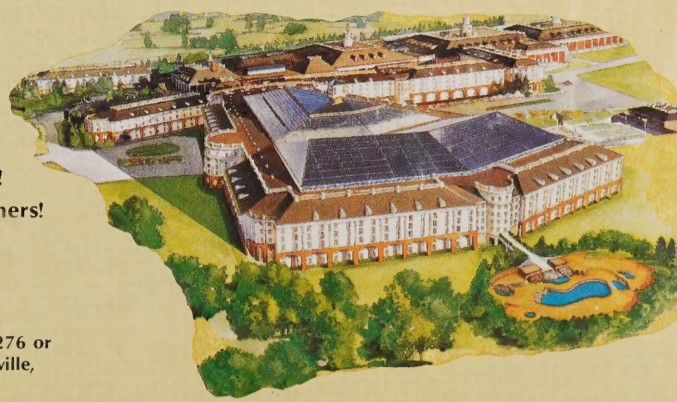

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CRTC Looks at New Satellite Nets

By Bill Barr

OTTAWA—The Canadian Radio-television and Telecommunications Commission (CRTC) has announced it will conduct a public application hearing on July 20 for new satellite-delivered specialty programming.

The hearings were originally scheduled for last January, but were postponed after Minister of Communications Flora MacDonald requested the commission delay the hearings pending the completion of a report from the task force on broadcasting policy.

Taking advantage of the delay, several networks submitted applications at the last minute. According to the CRTC, several networks were eliminated due to incomplete applications.

Among the networks surviving the initial weeding-out process include, The Sports Network (TSN), an established sports service that has requested permission to distribute on the basic cable package; Canadian Broadcasting Corp. (CBC), an English language national news and information service; Canadian Cable News (CCN), a 24-hour English language news and information service; The Country Channel, an English language country and western channel; and The Travel Channel, an English language travel-oriented channel.

In addition, other services surviving the initial screening were, The Shopping Channel, a national English language shopping service; The Canadian Value Network, a cable industry owned English language shopping service; Canadian Home Shopping Network (CHSN), that requested permission to use video rather than the current photographs to present items for sale; MuchMusic, a 24-hour music channel that requested permission to distribute on the basic cable package.

Three additional services that survived were, Cable Public Affairs Channel (CPAC), a public affairs network; The Money Channel, an English language financial information service; and Metromedia, the Canadian weather channel.

Details regarding the specific satellite requests of the applicants were not available. The application process is expected to last through the remainder of the summer. ❑

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Canada Moves To Restrict Bell's Video

OTTAWA—In a move here designed to prevent the Canadian Bell telephone group of companies from avoiding regulation by the Canadian Radio-television

Continued on next page

SCAC Queries CRTC On Cancom

TORONTO—The Satellite Communications Association of Canada (SCAC) has asked the Canadian Radio Television and Telecommunications Commission (CRTC) to intervene in a dispute with Canadian Satellite Communications (Cancom) regarding the monthly subscription fee charged by Cancom for its TVRO programming package.

Cancom broadcasts nine scrambled channels on the Anik D-1 bird, using the Oak-Orion descrambling system. SCAC contends the $21.95 per month (Canadian) subscription fee for the Cancom package is excessive and is retarding Direct-To-Home (DTH) satellite delivery to remote and underserved areas of Canada.

In a letter to Andre Bureau, chairman of the CRTC, Brian Dinsdale, chairman of the SCAC wrote, "SCAC request your commission intervene by asking Cancom to justify the $21.95/month subscription cost. A similar request was made by Minister Gary Lane of Saskatchewan, but he failed to get s satisfactory answer."

In the letter, SCAC argues the CRTC has a mandate to oversee pricing, even in a deregulated environment of all broadcasting monopolies in Canada, including Cancom.

The letter closes by stating, "Our association contends that a major section—Canadian DTH programming—of the Canadian communications system is in difficulty. Being a former Cancom executive, we are sure you understand this situation. If the Commission refuses to give Canadian satellite 'dish' owners an opportunity to work within the Canadian system, then they will opt out in mass, thereby banishing any hope of constructing a viable Canadian DTH broadcasting entity in the foreseeable future." ❑

Continued from previous page

and Telecommunications Commission (CRTC), a legislative drive has been launched to plug legal loopholes in the nation's regulatory acts.

In 1982, the Bell group combined the two telephone monopolies serving Ontario and Quebec, a holding company with investments in several provincially regulated telephone companies, and a number of unregulated companies including Northern Telecom to form a new entity called Bell Canada Enterprises (BCE).

Government officials viewed the reorganization as an attempt by the telephone firms to avoid regulation by the CRTC. Officials are hoping to amend the Bell Canada Special Act, The Railway Act, and the Transportation Act to prevent further moves by companies to avoid government regulation. ❑

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THE MOVIE CHANNEL *and* MULTI-SERVICE PACKAGE	$17.95	$192.00/ $ 16.00
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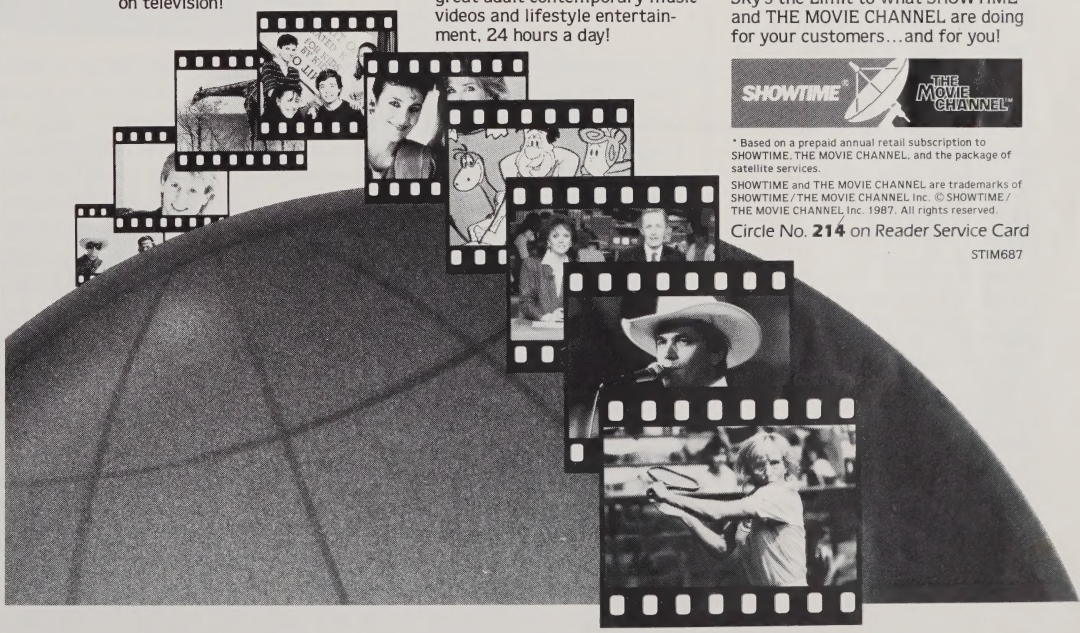

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STIM687

Patrick Admits to VC Shortage

By David Bross

WASHINGTON—In his first appearance here before the House Telecommunications and Finance Subcommittee, Federal Communications Commission Chairman Dennis Patrick, once again said he does not support TVRO-related legislation.

Responding to a question from Rep. Bill Richardson (D-N.M.), on the continued impact of scrambling, Patrick said he believes the marketplace will regulate and determine the future of the TVRO industry without the need for government action.

Patrick acknowledged there is a widespread decoder shortage throughout the industry, contradicting statements made last month in front of the Senate Communications Subcommittee by Peter Pitsch, now Patrick's chief of staff. Pitsch, along with Patrick, claimed there was no shortage of VideoCiphers—even though General Instrument Corp. (GI) had acknowledged the shortage days earlier (See *Satellite Times* May 6, 1987).

Patrick emphasized the FCC was "encouraged that the manufacturer of the decoders in question [GI] is aware of the shortage and is planning to expand its [manufacturing] capacity rapidly and substantially by the Fall." He added, "We're hopeful that problem will work itself out."

He also said the Commission was hopeful third-party packaging by programmers would evolve into a viable alternative for both dish owners and programmers. Patrick said the "[FCC] looked very closely at the question of prices for products available to the home dish market and we found the prices were generally comparable to those furnished cable subscribers."

The FCC is continuing to monitor developments in the TVRO/programming market as part of a study on the issue it has been conducting for Congress (See *Satellite* Times March 2 and April 8, 1987).

In response to questions dealing with syndicated exclusivity from Reps. Mike Synar (D-Okla.) and John Bryant (D-Tex.), Patrick said: "The reimposition of syndicated exclusivity has no necessary impact on a superstation or on any other player in the video marketplace." In recent weeks, the FCC's desire to reimpose syndicated exclusivity has come under increasing fire. There are even indications that TVRO industry interest will file in support of cable's position against reimposition at the FCC.)

He added that the FCC needs to look at the "bottom line" of whether the video marketplace is better served by reimposing the rules.❑

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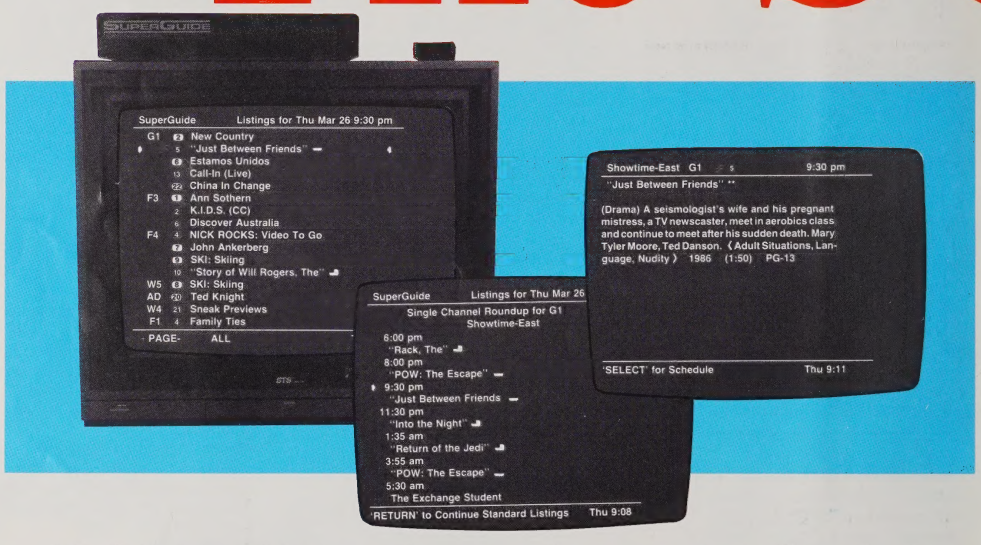
SUPERGUIDE
SuperGuide Listings for Thu Mar 26 9:30 pm
G1 New Country
5 "Just Between Friends"
Estamos Unidos
13 Call-In (Live)
23 China In Change
F3 Ann Sothern
2 K.I.D.S. (CC)
6 Discover Australia
F4 NICK ROCKS: Video To Go
John Ankerberg
SKI: Skiing
10 "Story of Will Rogers, The"
W5 SKI: Skiing
AD 20 Ted Knight
W4 21 Sneak Previews
F1 4 Family Ties
PAGE- ALL
SuperGuide Listings for Thu Mar 26
Single Channel Roundup for G1
Showtime-East
6:00 pm
"Rack, The"
8:00 pm
"POW: The Escape"
9:30 pm
"Just Between Friends"
11:30 pm
"Into the Night"
1:35 am
"Return of the Jedi"
3:55 am
"POW: The Escape"
5:30 am
The Exchange Student
'RETURN' to Continue Standard Listings Thu 9:08
Showtime-East G1 5 9:30 pm
"Just Between Friends" **
(Drama) A seismologist's wife and his pregnant mistress, a TV newscaster, meet in aerobics class and continue to meet after his sudden death. Mary Tyler Moore, Ted Danson. 〈Adult Situations, Language, Nudity〉 1986 (1:50) PG-13
'SELECT' for Schedule Thu 9:11

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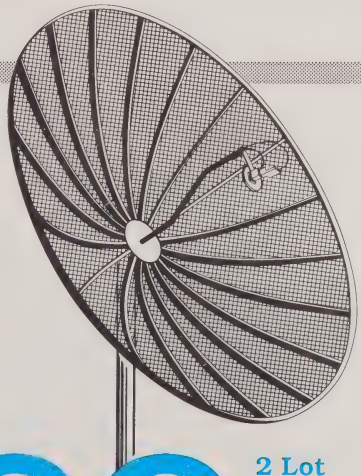

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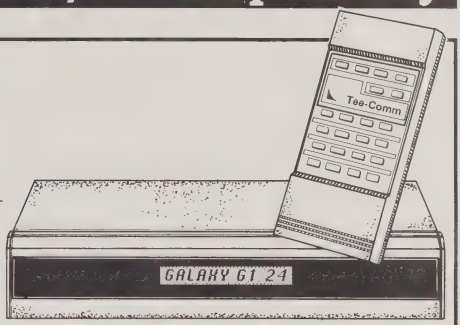

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Evaluated By: **Bob Fountain**
SVS Service Manager

Visual Inspection:

A. Packing:	2
B. Completeness:	4
C. Instructions:	3
D. Styling:	3
E. Construction:	4
F. Quality of Material:	4

Performance:

A. Quality of picture and sound on strongest transponder:	5
B: Quality of picture and sound on weakest transponder:	4
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D. Programmability/aligning:	5

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Roberts Calls For Compromise

WASHINGTON—Likening the Cable Act of 1984 to the "Great Compromise" struck by the Founding Fathers in 1787 Ralph J. Roberts, president of Philadelphia-based Comcast Corp.—the nation's seventh largest MSO—urged the cable industry to continue to "give ground and compromise" if necessary on compulsory licensing, must-carry rules, syndicated exclusivity, and cable overbuilds.

During a speech here to the Washington Metropolitan Cable Club, Roberts said the 1984 cable act stands "as a small masterpiece of compromise and coalition thinking." He called it "our industry's Bill of Rights" and warned that during the coming months, "narrow, parochial interests" wanting to amend the act could damage relations between the cable, broadcast, motion picture, and telecommunications industries and local municipalities.

Roberts praised the cable bill for reaffirming cities' rights to set terms and conditions--under uniform national standards—for franchise renewel, prohibiting common ownership of cable and certain broadcasting properties in the same market, and ending price controls on basic cable rates.

Roberts said that the elimination of price controls was "surely the act's boldest provision," adding, the ending of the controls made pricing a "function of consumer demand rather than city hall decree."

In addition, Roberts warned that cable needs to be on guard against consumer dissatisfaction, artificial price distinction through programming tiers and for premium services, and franchise overbuilds.

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Carp, Tuttle Leave NCTA

WASHINGTON—Bert Carp, executive vice president of the National Cable Television Association (NCTA) since July 1984, and Steve Tuttle, who has been the NCTA's principal spokesman since Sept. 1985, have announced their resignations from the association.

Carp will become vice president for government affairs for Turner Broadcasting System Inc., beginning in July. Later this month, Tuttle will become executive editor of *CableVision Magazine*, a bi-weekly trade publication.

Carp joined the NCTA from the Washington office of a well- known Boston law firm. Prior to that, he served in the Carter White House and as an aide to then Senator Walter F. Mondale.

Tuttle joined the NCTA from Television Digest Inc., where he served as Washington managing editor. Prior to that, he was assistant metro editor for a daily newspaper in Birmingham, Ala.

Spacelink May Not Take Off Like A Rocket For Jones

By Blaine Roberts

STORYLINE: Typical storylines on Wall Street are takeover stories, earnings stories, turnaround stories, and new sponsorship stories. For instance, *"MGM is being bought out at $15"* is a hypothetical takeover story.

But before you rush out and buy the stock, you should consider the storyteller.

STORYTELLER: Typical stock storytellers are friends: stockbrokers, company insiders, stock analysts, even total strangers. You should ignore unsolicited stock tips from total strangers and anyone who has ever worked with security or investment firms under federal investigation.

STORY CYCLE: On Broadway, long-playing stories are a measure of success. The same holds true for Wall Street, except you have to be an early player to benefit as an investor.

There are not many untold stories on Wall Street. Stories are what sells stocks, and the best are always short stories. And it is the stock analysts who uncover the stories and write the research reports.

Oral pitches over the phone encapsulate a story in a few paragraphs, similar to Cliff Notes Abstracts. The analyst's written report is generally too long and full of numbers.

Ideally, the oral abstract is like a dramatic reading, filled with feeling, and short, cogent, and seductive phrases. It is designed to quickly engage the interest of the audience and cause them to buy the stock.

With one million stories on Wall Street, then, why have investors chosen a story about Jones Spacelink?

Jones Spacelink Ltd., is in the cable television and satellite master antenna television (SMATV) businesses. The company specializes in smaller cable markets and SMATV systems in large apartment and condominium complexes.

Sources of capital for the company were received principally from company-sponsored, limited partnerships (for example, Spacelink Funds) which raised $10 million in fiscal year 1986.

The "Jones" of Jones Spacelink (also Jones International, Jones Intercable, and his own brokerage house) is Glenn Jones. Limited partnerships have been his secret weapon. Jones' growth remains the main arsenal of Jones Spacelink. However, tax law changes, combined with lower inflation and interest rates, have dulled the benefits of limited partnerships.

By earthly standards, Jones Satellite is richly priced. Annualized revenues are in the $1.3 million range, profits are nil, and growth is slow. For investors, the company value is more than $13.3 million. But with shares priced at $3.50, the company's open market value is $47 million for the entire company. Any company valued at more than 40 times its revenue, as is Jones Spacelink, must have a hell of a story and/or stratospheric growth.

Judging from the most recent nine month's results for the quarter just ended last March, Jones doesn't qualify as a high growth prospect. Revenues were $819,500 versus $890,000 during the same period last year. The good news is the company only lost $6,990 during the period, versus more than $500,000 the year before.

However, the plot of the story at Jones obviously does not center on growth. The reason investors are buying the Jones Spacelink story is due to the company's sponsorship.

The stock has two winning backers, fresh from making a killing in cable television. The first sponsor is, of course, Glenn Jones—the name on the door. The second sponsor is Paul Kagan, who publishes several cable TV newsletters. Kagan's newsletters often report favorably on stocks he has personally invested in, which many believe drives the price of the stocks up.

But despite good sponsorship, or maybe because of it, Spacelink looks vastly overpriced. And a compounding problem stems from the sources of revenue from other Jones-related companies. A recent paper shuffling of equity between various Jones enterprises, including Spacelink, has further clouded the picture.

Thus, the moral of this story is: Jones Spacelink is a stock to avoid.❑

Blaine Roberts is president of the investment firm of Morgan Roberts and Co., of La Jolla, Calif. The opinions in this column are not necessarily those of Satellite Times *or Triple D Publishing.*

SATELLITE TIMES 100

New York Stock Exchange

Symbol	Company	High	Low	Close	Chg.
ANX	Anixter Bros. Inc.	13¾	13¾	N/A	N/A
AVT	Avnet	38¼	31⅜	31⅜	– ¼
CCB	Capital Cities (ABC)	369	216½	358	+24½
CBS	CBS Inc.	171	121½	162¾	+5
CNT	Centel Corp.	68⅛	51½	59⅞	+3
KO	Coca Cola	49	32⅞	43¼	+3⅝
CQ	Comm. Satellite	37⅜	24	24⅞	+⅜
CCN	Chris-Craft Ind.	28	17⅝	28	–3¼
CTC	Continental Telecom	30¼	27¼	30⅛	+2⅛
DEC	Digital Equipment Corp.	174½	155	156¼	+1¼
DIS	Walt Disney Productions	68¼	35	64¾	+3⅜
DJ	Dow Jones & Co. Inc.	56¼	30½	48¾	+1¾
DNB	Dun & Bradstreet Co.	136⅜	96⅛	122½	+4½
EK	Eastman Kodak Co.	84½	52⅛	79	—
GCI	Gannett Co. Inc.	50⅞	32⅞	49	+4⅜
GE	General Electric	56⅜	35¼	53⅝	+¾
GRL	Gen. Instrument Corp.	35½	15⅞	32¼	–3⅜
GTE	GTE Corp.	42½	32½	37	+ 2
GW	Gulf & Western Ind.	85¼	59¼	84½	+2½
HRS	Harris Corp.	42¾	27⅛	36½	+ ¼
HCI	Heritage Comm.	34	19	33¼	+ ¼
KRI	Knight Ridder Inc.	57⅜	43¼	50⅛	–1¼
MAI	M/A-Com Inc.	18¼	11⅝	13⅛	– ¼
MCA	MCA Inc.	52⅞	37⅞	48	+4½
MOT	Motorola Inc.	63⅞	33⅜	52⅛	–1¼
NPH	N. Amer. Phillips Corp.	45¾	35⅛	43¼	+2⅜
OAK	Oak Industries	2⅛	¾	1⅝	+1/10
PIO	Pioneer Electronic Corp.	33½	21⅞	33	+4
PLA	Playboy Enterprises	14¾	5⅞	13⅝	+ ⅛
ROL	Rollins Communications	19⅝	14⅝	17½	+1
SFA	Scientific-Atlanta	18½	8½	17¼	+⅝
SNE	Sony Corp.	23⅝	18⅛	21¾	+1⅜
TFB	Taft Broadcasting	158¾	98¾	150½	+1
TAN	Tandy Corp.	55⅜	30½	38⅞	–1
TEK	Tektronix Inc.	43¼	27¼	34⅛	– ⅛
TL	Time Inc.	94⅞	66⅝	94⅞	+7⅜
TMC	Times Mirror Co.	88½	56⅞	86	+6¼
TRB	Tribune Co.	40⅜	28⅜	35¾	+1
UCT	United Cable TV	35	23½	33⅞	+3⅞
VIA	Viacom Intl.	54⅜	25¼	54⅝	+1⅜
WCI	Warner Communications	34½	18¾	34⅜	+2⅜
WU	Western Union	6⅞	3¼	4½	– ¼
WX	Westinghouse Electric	68⅜	48½	60⅞	+1⅞
ZE	Zenith	29⅝	18⅞	28¼	–⅜

American Exchange

Symbol	Company	High	Low	Close	Chg.
AAR	Adams-Russell Inc.	25⅞	18¼	25¾	+1¾
ACN	Amer. Cablesys. Inc.	23¼	12½	22¾	+4¾
CVC	Cablevision Sys. Inc.	27¼	17	27¼	+3¼
CEC	Cetec Corp.	7⅜	4⅝	6	+ ¼
HSN	Home Shopping Netwrk	47	9⅝	12⅞	– ¾
LT	Lorimar-Telepictures	33⅜	13½	16⅝	+2¾
MEGA	Media General Inc.	67	41¼	60¾	+ ½
NYTA	New York Times Co.	48	32½	42½	+1½
PPI	Pico Products Inc.	7	1⅝	5½	+1¼
RMS	RMS Electronics	4½	1	N/A	N/A
TBS	Turner Broadcasting Sys.	29¼	12½	20¾	– ¼
TDS	Telephone & Data Sys.	25⅜	17¼	25⅜	+1¾
UNV	United Video	12	7¼	N/A	N/A
WPOB	Washington Post	201	128	201	+21

NASDAQ

NASDAQ Symbol	Company	High	Low	Close	Chg.
AMTV	AM Cable TV Ind.	N/A	N/A	N/A	N/A
ACMAT	Amer. TV & Comm.	26	10¼	24½	+2½
AVAK	Avantek	19¾	12⅞	15⅞	+2⅞
BFTV	Birdfinder	5	1½	N/A	N/A
BTSSU	Brooks Sat. Uts.	5	⅝	N/A	N/A
BVSC	Birdview Satellite	2⅜	⅜	N/A	N/A
CAMP	Calif. Amplifier	3	½	1¾	– ¼
CATV	Cable TV Ind.	3	1⅝	2½	—
CCBL	C-Cor Electronics	12	5¼	9¼	– ¼
CGRD	Cableguard	1⅛	⅝	N/A	N/A
CNMW	Cincinnati Microwave Inc.	11¾	6¼	6⅜	N/A
CMCO	C.O.M.B. Co.	38	16½	19¼	+4¾
CMCSA	Comcast Corp.	24⅛	15⅝	23½	+2½
CSII	Commun. Sys.	9⅛	4⅝	7⅞	+ ½
CVGI	Congress Video	7¹¹⁄₁₆	1¹⁵⁄₁₆	N/A	N/A
CVSI	Compact Video	5⅛	3¾	N/A	N/A
DYNA	Dynascan	17¾	9	16⅞	+ ½
EQUA	Equatorial Comm.	10¼	2⅜	3	—
FNNI	Financial News Net	21⅜	7⅝	10¼	+⅛
HYTK	Hytek International Corp.	6½	2¼	3½	– ¼
JOIN	Jones Intercable	16¾	9⅛	13⅜	+1/10
JTWO	J-2 Corporation	4¼	2½	N/A	N/A
KING	King World Prdctns	N/A	N/A	N/A	N/A
KREN	King's Road Entrmnt	7	1⅞	2½	+ ¼
MALR	Malrite Comm.	16¼	8¾	10	—
MCDY	Microdyne Corp.	5½	3⅜	4⅛	+ ⅛
MFCO	Microwave Filter	3¼	1½	2⅛	+ ⅛
NINV	Norsat Int'l	⅜	1⅛	N/A	N/A
ORPCW	Orion Pic. Wts.	7	1⅛	N/A	N/A
QVCN	QVC Network	26	7¼	8¾	—
RCOT	Recoton Corp.	14½	5½	5½	– ½
RCCAA	Rogers Cablesys. A	16⅝	9⅞	14⅜	+1⅝
RGCY	Regency Elec.	8⅛	4⅝	6⅜	+ ⅜
SCC	Scott Cable	26	9¼	25	– ¾
SCRP	Scripps Howard Bdcst	89¾	61	82	+2
SLNK	Satelllink	9/32	3/16	N/A	N/A
SMNI	Satellite Music	13⅞	3⅝	3¾	+ ¼
SPDY	Spectradyne	44	14½	43¾	+2
TCAT	TCA Cable TV	22⅞	15½	22	+1¼
TCOMA	Tele-Communctns	33	30	N/A	N/A
TLCR	Telecrafter	7⅝	2½	5¾	+ ¾
TLMTB	Telemation	N/A	N/A	N/A	N/A
UACIA	United Artist Comm	26⅛	15¼	26	+2½
USECW	Univ. Sec Instr. Wts.	1½	⅝	N/A	N/A
USEC	Univ. Sec Inst.	8⅛	3½	3⅞	– ⅛
USECU	Univ. Sec. Instr. Uts.	11¾	7¾	N/A	N/A
WVTK	Wavetek	9⅝	6⅝	8⅞	+ ⅜
WWTV	Western-World TV	2⅝	1⅛	N/A	N/A

CES Notes: Uniden, Janeil, Birdview

CHICAGO—Uniden Corp. of America unveiled its first two integrated satellite receivers/VideoCipher decoders (IRDs) here recently during the annual Summer Consumer Electronics Show.

Model 9900, a high end unit, features a built-in antenna actuator, full-function remote control, programmable memory, on-screen display, C/Ku-band capability, a built-in terrestrial interference filter, and stereo audio. The unit will be shipped in September, Uniden said, and carry a to dealer price tag of approximately $800.

The model 7700, Uniden said, has many of the same features as the 9900 except it does not have the programmability and built-in actuator. An actuator, along with power supply, can be added to the unit. Uniden said it plans to ship the 7700 in August, carrying a price tag of about $700 to dealers.

Janeil Corp. also showed some new hardware here, but in the booth of Teknika Electronics Corp., which is a subsidiary of Fujitsu General Ltd., a large Japanese firm. Many in the TVRO industry believe Fujitsu owns Janeil (See *Satellite Times*, June 11, 1986), but Janeil's Bob Dushane strongly denied as much.

Dushane said Fujitsu was providing Janeil "product and financial support," but owned no equity in the firm. Fujitsu's return on its investment, he said, was a "future relationship" with Janeil and positioning in the American TVRO industry. Dushane also pointed to his company's relationship with Fujitsu to dismiss what seemed to be constant rumors that Janeil is in financial difficulty.

Janeil showed an operational version of its new "Line Up" C and Ku-band feedhorn. Dushane said the new feed was far more compact and lighter than existing dual-band feeds, and will be priced as little as $300 to dealers for the basic version. "It's the lowest cost, best performance, and most flexible" dual-band feed on the market, he said.

Birdview Satellite Communications Inc., a company that cannot dismiss its financial trouble, was represented here (but did not display) by founder and chairman Bud Ross and new president Roger Mason.

Birdview filed for Chapter 11 bankruptcy in Aug. 1986 (See *Satellite Times*, Sept. 3, 1986), with Mason adding that the company had recently filed its final reorganization plan with the court.

Mason acknowledged the company owes TVRO dealers 8,400 VideoCipher decoders from a promotional program underway before Birdview's financial problems (See *Satellite Times*, Nov. 26, 1986). He said the company was "hopeful" it could fulfill that commitment, but that it was "dependent on future business."

Both said Birdview was

Continued on page 13

TIMES CALENDAR

June

22-24 Satellite Symposium '87
Skyline Hotel
Toronto, Canada
Contact: Bennett Schaub
(416) 299-6184

24 New York Women in Cable Seminar, HBO Media Center,
New York, N.Y.
Contact: Katie Immessberger
(212) 304-3152

24 SBCA Board of Directors Meeting Chamber of Commerce Board Room
Alexandria, Va.
Contact: Pam Bailey
(703) 549-6990

25 SBCA Public Affairs Working Group, Chamber of Commerce Board Room
Alexandria, Va.
Contact: Christine Gliozze
(703) 549-6990

July

15 SBCA Earth Segment Group Meeting Chamber of Commerce Board Room
Alexandria, Va.
Contact: Pam Bailey
(703) 549-6990

15 Arizona Cable Television Association, Public Relations Seminar, Gateway Park Hotel
Phoenix, Ariz.
(602) 257-9338

16-18 National Federation of Local Cable Programmers National Convention
Chicago Hilton
Chicago, Ill.
Contact: Sue Miller Buske
(202) 544-7272

20-22 New England Cable Television Association Annual Convention
Tera Hyannis Hotel
Hyannis, Mass.
Contact: Bill Durand
(617) 843-3418

21-23 Florida Cable Television Association Annual Convention, Bonaventure Health and Spa Resort
Fort Lauderdale, Fla.
Contact: Bob Brillante
(904) 681-1990

August

11-12 Oklahoma Cable Television Association Annual Meeting
Oklahoma City Marriott
Oklahoma City, Okla.
Contact: Steve Lowe
(405) 943-2017

16-19 Cable Television Administration and Marketing Society Annual Meeting
Fairmont Hotel
San Francisco
Contact: (202) 371-0800

Aug. 30-Sept. 1 Southern Cable TV Association's Eastern Cable Show
Merchandise Mart
Atlanta, GA
Contact: Lorraine Whitmore
(804) 782-9501

September

2-4 Missouri Cable Television Association Annual Meeting
Lodge of the Four Seasons
Lake Ozaark, Mo.
Contact: Charlie Broomfield
(816) 453-3392

7-9 SBCA/STTI Show
Opryland Hotel
Nashville, Tenn.
Contact: Rick Schneringer
(800) 654-9276

15-16 Nebraska Cable Communications Association Fall Meeting
Omaha, Neb.
Contact: Dick Bates
(402) 467-2356

21-23 Great Lakes Cable Expo
Indiana Convention Center
Indianapolis, Ind.
Contact: Daniel R. Helmick
(614) 461-4014

27-29 Kentucky Cable Television Association Annual Convention
Radisson Hotel
Lexington, KY
Contact: Patsy Judd
(502) 864-5352

October

6-8 Atlantic Cable Show Convention Center
Atlantic City, N.J.
Contact: Jean O'Donnell
(609) 848-1000

18-22 Mid-America Cable Show
Hyatt Regency
Kansas City, Mo.
Contact: Rob Marshall
(913) 841-9241

25-27 Women in Cable Management Conference
Mayflower Hotel
Washington, D.C.
(202) 737-3220

Those companies or organizations wishing to have events listed in the calendar should send the date, time, location, contact person, and phone number to: **Satellite Times, 551 National Press Building, Washington, DC 20045 or call (202) 662-8820.**

1987 MAJOR SHOWS

July

16-18 National Federation of Local Cable Programmers National Convention, Chicago, Ill. Contact: Sue Miller Buske (202) 544-7272

August

16-19 Cable Television Administration and Marketing Society Annual Meeting, Fairmont Hotel, San Francisco. Contact: (202) 371-0800

30-Sept. 1 Southern Cable TV Association's Eastern Cable Show, Merchandise Mart, Atlanta, Ga. Contact: (804) 782-9501

September

7-9 SBCA/STTI Show, Opryland Hotel, Nashville, Tenn. Contact: (800) 654-9276

October

13-15 Mid-America Cable TV Association Annual Meeting, Hyatt Regency at Crown Center, Kansas City, MO, Contact: Rob Marshall, (913) 841-9241

December

2-4 Western Cable Show, Anaheim Convention Center, Anaheim, CA Contact: (415) 428-2225

PSN

Private Satellite Network Inc. [PSN] has named **Timothy J. Trainor** dirctor of account management.

Trainor will be responsible for directing PSN's accounting staff, and monitoring of customer broadcast applications and procedures.

Trainor had previously served as a director of operations for PSN. Prior to joining PSN, he worked for Hi-Net Communications Inc.

Paragon

Nathan W. Garner has been named president of the Paragon Communications Inc.'s Manhattan system.

Garner had previously served as the system's chief operating officer and as vice president of corporate affairs.

Paragon is a partnership between Time Inc.'s American Television and Communications Corp. (ATC) and Houston Industries Inc. The MSO serves more than 600,000 cable customers in eight states.

HSN

Home Shopping Network Inc. [HSN] has named **Joseph A. Connolly** chief financial officer.

Prior to joining HSN, Connolly served as senior vice president/finance of Manufacturer's Hanover Corporation.

In his new position, Connolly will be responsible for handling financial analysis and cash management, public and non-public financing transactions, and developing financial products and services for sale to HSN's Club Members.

Lifetime

Lynne Stauffer has been named director, sales promotion and **Michelle Colangelo** has been named research analyst for Lifetime Cabletelevision. In addition, **Mike Labat** has been named an account executive and **Lindy Finney** has been named a senior producer/writer for Lifetime Medical Television.

Lifetime has also named **Greg Blazer** a senior accountant and **Grace Roberts** payroll supervisor.

In her new position, Stauffer will be responsible for the development and implementation of programs to increase sales among cable operators and advertisers. Prior to joining Lifetime, Stauffer was director, affiliate relations for Cable Networks Inc.

In her new position, Colangelo will be responsible for providing research support for Lifetime's sales, marketing and affiliate relations departments.

Labat will be responsible for sales to pharmaceutical advertisers. He had previously been manager, institutional sales for Roche Laboratories, Inc.

Finney will be responsible for writing and producing on-air promotional material for Lifetime.

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_____

Cable Affiliation

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Mounties

Continued from page 1

eoCipher—charging attendees $1200 for a decoder "kit."

Metcalf confirmed that X-Act, a TVRO dealership based in this area which has been heavily promoting its chip in the U.S., was among the establishments raided. He said no charges have been filed against any of the individuals or companies involved, and that the RCMP was now analyzing the confiscated chips and devices to determine if they violate the law.

The raids represent the first major move against VideoCipher hackers here, though there have been several similar actions taken against firms which are involved in distributing devices which break Oak Industries Inc.'s Orion scrambling system.

Canada has been a hotbed of hacker activity for more than a year now, with many of the VideoCipher pirate chips in use in the U.S. emanating from north of the border.

Metcalf confirmed the RCMP had received "complaints and information" from U.S. programming services about piracy activity, but declined to elaborate.

However, Rene Matthijssen, owner of Satellite Connection, one of the firms raided, said it appeared the RCMP officers "knew exactly what they were looking for."

Matthijssen said the RCMP officers disassembled a modified VideoCipher and then confiscated the unit. He claimed the RCMP officers said they received a three day course on the VideoCipher system.

Matthijssen also claimed one RCMP officer tacitly acknowledged that pressure from U.S. companies was behind the raids. On the way out, Matthijssen claims, the officer said: "I hope you win. I am sick and tired of the Americans telling us what we should do."

In addition to the involvement of U.S. programming services, sources here said Luther Haave, vice president and general manager of SuperChannel (Canada's HBO equivalent), has been assisting the RCMP locate and identify hacker locations. Haave has been one of the most vocal opponents of the VideoCipher system here, with the sources speculating that he believes the availability of pirate chips increases VC II sales in Canada. Haave denied he was involved with the raids.

Industry sources here said they expected further moves against the pirate underground by the RCMP and other police authorities.

That is why, they said, X-Act is now planning to end its piracy-related operations here and relocate them to the Providenciales Island in the British West Indies. Sources said Ed Grotsky, who *Satellite Times* has reported controls X-Act, is planning to establish a residence on the island—and do business under the corporate name "Potec." Grotsky owned the now defunct Arunta Engineering.

(Providenciales already plays home to Rabbit Trading Co., one of the most active pirate chip companies. *Satellite Times* has reported that Bob Cooper Jr., a resident of the island, is a principal in Rabbit Trading Co.)

The RCMP raids also have forced Integrated Digital Systems (IDS), a Toronto-area firm which also has been heavily involved in distributing VideoCipher chips, to adopt a more low-key profile.

The company's owner, who goes by the pseudonym of "John Davidson," said IDS is "winding down" its public operations because of recent publicity about the firm. Asked if he was getting out of the hacker business, "Davidson" said, "No." ❑

Bob Scherman contributed to this report.

Satellite Times

Subscribe today See Page 12

Hearings

Continued from page 1

munications Commission (FCC) to testify, he said. Rather, Irving said,the subcommittee will review the FCC's recently released report on the TVRO/scrambling situation.

Irving also said it is a "good bet" that the subcommittee will hear testimony on the availability of consumer descramblers, most likely from a representative of General Instrument Corp.

On the Senate side, Tom Cohen, senior counsel to the subcommittee, said it is likely witnesses representing opposing viewpoints on the bill will appear on the same panel—in what he described as a "debate" format.

The "Satellite Television Fair Marketing Act" (H.R.1885/S. 889) was introduced last March. Among other things, the bill would require programmers to establish "reasonable" criteria for third-party programming distributors, require the FCC to set a scrambling technology standard, and prohibit PBS or the Armed Forces Television Radio Service (AFRTS) from scrambling (See *Satellite Times* , April 8, 1987). ❑

CES

Continued from page 11

continuing to honor its service warranties and provide service on all equipment under a contract with an independent service company based in Kansas City.

Ross said he was working for Birdview, on an unsalaried basis, four or five days a month. He said he was devoting most of his time to Kansas Microwave Inc., a radar detector manufacturer founded by his son.

Asked whether he thought Birdview would recover and remain in business, Mason said: "I have to stay as optimistic as possible. If the [TVRO] market would stabilize or turn up, we'd have a good chance of surviving. If it [the TVRO market] stays as depressed as it is now, it would be hard to survive." ❑

SBCA

Continued from page 1

tions surrounding dish subscriptions to superstations.

Hewitt said most members of the TVRO industry are becoming increasingly alarmed at the continued slump in home dish sales, with many attributing the slowdown to the same problems the SBCA plans to address on June 24.

Though Hewitt declined to comment on the matter, SBCA sources said many of the association's leaders are particularly concerned about the apparent collapse of the TBS package and the role Tele-Communications Inc. (TCI)—the nation's largest MSO—played in getting TBS to scale-back its TVRO plans (See *Satellite Times*, June 3, 1987).

Many in the TVRO industry viewed the TBS packaged with great enthusiasm, the sources said, but have now come to believe the financial bail out by TCI and other MSOs of TBS has all but taken TBS out of the DBS game. (TBS and the MSOs closed their deal on June 3,

Continued on next page

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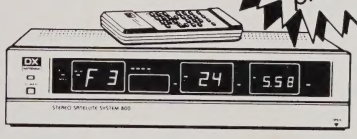

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SBCA

Continued from previous page

with TCI and Time Inc., which owns HBO and the nation's second biggest MSO, representing the biggest investors.)

The real question, according to SBCA sources, is whether the association should and can attack TCI's move on TBS' TVRO plans. Complicating the situation, the sources said, is that Marty Lafferty, head of the TBS TVRO project, serves as vice chairman of the SBCA.

The delicate nature of the TBS situation, sources said, was illustrated recently when the company decided to sign a TVRO distribution contract with the National Rural Telecommunications Cooperative (NRTC). Just 10 days ago, TBS executives were saying they were "farther away than ever" on signing a deal with the NRTC. But, said one source: "There was a lot of pressure put on" TBS to sign the deal after the TCI's role in TBS' home dish decisions became public.

Meanwhile, ESPN Vice President Roger Williams has denied that TCI played any part in shaping his service's TVRO distribution plans. As reported, sources have said there is a link between ESPN's plans and the signing of the network's deal with TCI covering cable carriage of NFL games.

ESPN will be offered through cable operators and Showtime/The Movie Channel Inc.'s TVRO back office, he said. Showtime will offer ESPN in its basic package and on an a-la-carte basis for $25 a year, said a Showtime spokesman.

Williams said he also expect ESPN to be offered in a package and on an a-la-carte basis by Home Box Office Inc. ❑

GI

Continued from page 1

the option of offering the free programming to consumers who have bought an IRD before July 1. The coupons will be passed along to TVRO dealers, he said, who can fill them out or give them to consumers.

In other VideoCipher related news, industry sources have told *Satellite Times* that GI believes that Echosphere Corp., the Denver-based TVRO distributor, is responsible for taking approximately 1500 VideoCiphers from the Port of Jacksonville on Jan 23 that were supposed to be headed to GI's facility in Hickory, N. Carolina (See *Satellite Times*, May 20, 1987).

The Federal Bureau of Investigation is classifying the incident as a theft, but now believes the matter was an "administrative error," according to a spokesman.

GI executives declined to comment on the situation. But Echosphere President Charlie Ergen strongly and vehemently denied his company was involved.

Meanwhile, the gap between the number of VideoCipher standalone decoders or IRDs in the marketplace and the number of units authorized for service continues to widen.

As of May 31, GI said, 296,555 decoders or IRDs were in distribution, with 175,506 authorized to receive service. For the month of May alone, GI said it shipped 32,881 descrambling units, and authorized 15,336.

GI spokeswoman Cheri Hart said the increase in the gap between units shipped and authorized was due to the higher level of production for May—which was up 2319 units from April.

Most now attribute the gap to the piracy problem, with several usually reliable industry executives saying there are widespread field reports of a new chip implant which exits entirely outside the VideoCipher authorization stream and thus does not appear in monthly authorization tallies.

But Ron Katznelson, GI's director, new technology development, said he doubts such a chip exits. Asked if a hacker could develop a chip which exits outside the authorization loop, he said: "No, you have to be able to receive the keys."

Katznelson said GI believes the chips in question are "hybrid-clones-Three Musketeers." Such chips, he added, combine the authorization of a number of clones or Three Musketeer chips into one chip. "In certain ways, they, can be affected by [electronic] countermeasures," he said, referring to the chips. ❑

Chip-Gate

Continued from page 1

and decree entered against him and that the agreement "should resolve the entire matter" as far as Bepko is concerned.

Alan Blankenheimer, GI's lead attorney in the case, confirmed that Bepko is now acting as a witness for the plaintiffs. Blankenheimer acknowledged that Bepko has agreed to pay damages to the plaintiffs, but declined to disclose the amount.

During the one hour hearing, attorneys for both sides addressed themselves to the legal questions surrounding the granting of preliminary injunctions, as well as the evidence accumulated by both sides do date.

Much of the new evidence introduced by the plaintiffs shortly before the hearing resulted from a series of depositions taken from Kenny, Howes, Bepko, Cooper, and Carol Graba, who worked for Cooper in his Ft. Lauderdale office.

Several keys points emerged from the depositions, including:

- Kenny raised money for and contributed to the Digital Encryption Standard Users Group (DESUG), an underground group dedicated to breaking the VideoCipher.
- Bepko "personally created and sent forty" pirate chips to Cooper and Rabbit Trading Co., for distribution to those attending a series of Cooper sponsored "Descrambling Summits."
- Bepko testified that he is a part owner of Rabbit Trading and is partner with, among others, Cooper. (Last March, *Satellite Times* reported Cooper was part owner of Rabbit.)
- Graba, acting under instructions from Cooper, prepared a brochure promoting Rabbit chip products.
- Ron Katznelson, GI's director, new technology development, clandestinely attended Cooper's first descrambling summit. At the summit, Katznelson bought several chips which GI claims are a "direct infringement" copy of its proprietary chips.
- Kenny admitted he derived "significant income" selling the so-called "Dealer Demo" chip and from installing chip sockets in VideoCiphers. He also admitted that his "Bag- O-Parts" video descrambling kit was "the only thing keeping [his businesses] alive" during parts of 1986. Kenny's program, "Boresight," also received advertising revenues from companies selling underground descrambling devices.

In summing up their written request for the injunction, GI and the plaintiffs wrote: "Defendants have been caught 'red-handed' in a carefully planned and deliberately executed scheme to steal pay television programming and to make a profit while doing it."

During the oral arguments, Blankenheimer argued that the evidence against the defendants was "overwhelming and undisputed."

Attorney Joel Rothstein Wolfson, who represents Kenny and Howes, agreed that the "essential facts [in the case] are not in dispute." But, he argued, Kenny and Howes "have only reported on the events [surrounding the case] for a political purpose."

Wolfson said Kenny and Howes have reported on hacker activities to "show that the VC II is not a reliable technology." He added: "I don't see any evidence anywhere that they were involved in manufacturing or selling" of chips. Wolfson said Kenny only attended Cooper's summit to videotape the proceedings, and that the summit itself was "legal" and largely a political and industry gathering.

At that point, Judge Tom Scott interrupted Wolfson, saying: "They [summit attendees] were paying $1500 for political purposes, to discuss things?"

Wolfson countered by reiterating there was "no evidence" Kenny sold chips at the summit.

Attorney Edward Carhart, representing Cooper, argued that GI's case was "barren of evidence" linking Cooper to Rabbit Trading or any chip company. "There is no evidence that he is doing anything [on Providenciales Island] that violates the laws of this country," Carhart said.

Cooper, Carhart said, has ceased publishing *Coop's Satellite Digest*, and only plans to launch a consumer electronics magazine for Caribbean residents.

Durin, his deposition, Cooper repeatedly invoked his Fifth Amendment privilege against self-incrimination in declining to answer questions. After the hearing, Carhart—asked repeatedly why Cooper was invoking the Fifth Amendment so many times when he continues to maintain his innocence—would only respond that the U.S. Constitution gives individuals the right to decline to answer questions.

But Carhart maintained that Cooper has "not profited" from any chip sales or the summit. Asked about the VideoCipher technology, he said, "The VideoCipher is broken and they [GI] admit it."

Wolfson said Kenny has done nothing "illegal." He argued that Kenny has been open and honest about his activities. "I think you can see one defendant [Bepko] has settled, another defendant [Cooper] has taken the Fifth [Amendment] repeatedly, but Shaun has been quite open," Asked how he thought Kenny's defense was proceeding, Wolfson said,"It's hard to tell."

Blankhemier agreed it was difficult to predict how Scott will rule on the request for an preliminary injunction, though attorneys for both sides said the judge would probably rule on the request in the near future.

Scott also indicated he is targeting early November for a full trial in the case. ❑

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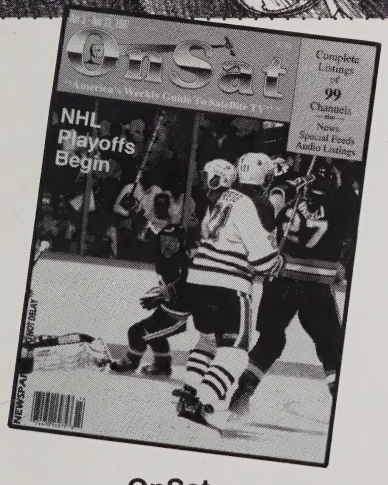

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